

August 13, 2001

**TO:** Senator Snyder, Chair  
Senator McDonald  
Representative Dunshee  
Representative Cairnes  
Fred Kiga, Director, DOR  
Marty Brown, Director, OFM

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** AUGUST 10, 2001 REVENUE COLLECTION REPORT

General Fund-State tax receipts were \$8.1 million above the estimate in the July 11 - August 10 collection period. Higher than anticipated Revenue Act and brokered natural gas receipts accounted for this month's positive variance. Property tax (state levy) and estate tax payments were less than the estimate this month. Although revenue was higher than expected, much of this month's positive variance was due to two large (\$14.2 million) and unexpected use tax payments. Thus this month's positive variance should not be viewed as a sign that the economy is improving. General Fund-State receipts are now \$15.6 million below expectations for the two months since the June forecast.

Revenue Act collections in the July 11 - August 10 collection period were \$14.8 million above the forecast, the first positive variance in four months. Collections this month primarily reflect June 2001 business activity of monthly taxpayers and April-June activity of quarterly filers. Revenue Act receipts this period were 4.0 percent above the year-ago level. However, the growth primarily reflects the two unusually large use tax payments. Excluding these payments, Revenue Act receipts were up 2.3 percent from a year-ago. While this is a clear improvement from last month's 2.2 percent decline, it is still relatively weak and about as expected. Growth for the last two months (excluding special factors) was only 0.3 percent. Growth for the entire second quarter was 1.3 percent about half the 2.7 percent increase in the first quarter.

Economic data continue to indicate a sluggish economy, with little sign of improvement. Weak collection growth supports this assessment. Nationally, July wage and salary employment declined for the second consecutive month and the third time in the last four months. The July unemployment rate was 5.5 percent, the same as in June but up from 4.0 percent a year ago. The growth of real output decelerated in the second quarter with real GDP increasing only 0.7 percent about half as fast as in the first quarter. At the state level, June's unemployment rate increased from 5.5 percent in May to 5.9 percent in June and is 0.7 percent above the rate a year ago.

Preliminary data on taxes paid during the July 11 - August 10 collection period indicate weakness in most sectors. The retailing sector was up less than 3 percent while non-retailing sectors were down about 3 percent. Within retailing, the general merchandise sector reported the largest increase while the auto/gasoline sector reported a small decline. Outside retailing, the manufacturing, service, finance, insurance and real estate and wholesaling sectors all reported tax payments below the year-ago level. Tax payments from the construction sector were about the same as a year ago. The only major non retailing group posting an increase this month was the transportation, communications and utilities sector. This was primarily due to higher retail electricity and natural gas prices generating higher public utility tax payments.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$6.5 million below the forecast in July and are \$10.8 million less than expected for the two months since the June forecast. For the month, weaker than expected estate tax and property tax (state levy) payments accounted for most of the shortfall. These sources are quite volatile on a monthly basis and much of the shortfall for the last two months is likely to be recouped in future months.

Real estate excise activity picked up a little in June from a weak May, pretty much in line with the June forecast. June 2001 real estate activity (closings in June reflecting payments to the state in July) was up 3.6 percent from a year ago, after decreasing 3.6 the month earlier. For the year-to-date, statewide taxable real estate activity is up 3.7 percent with most of the gain coming from an increase in the number of transactions (up 2.2 percent). Activity in King County remains weak relative to a year-ago and to the rest of the state. Taxable real estate activity in King County declined 1.8 percent in June and is down 7.9 percent for the first six months of the year.

Department of Licensing collections were \$0.2 million above the forecast in July and are virtually right on the estimate cumulatively since the June forecast. Beginning in July lottery transfers are no longer part of the General Fund and hence are not included in this report which tracks most General Fund receipts compared to estimates.

The attached Table 1 provides a comparison of collections with the June forecast for the July 11-August 10, 2001 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**August 10, 2001 Collections Compared to the June 2001 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>July 11 - August 10, 2001</b>				
Department of Revenue-Total	\$898,209	\$906,528	\$8,319	0.9%
Revenue Act** (1)	809,897	824,717	14,820	1.8%
Non-Revenue Act(2)	88,312	81,811	(6,501)	-7.4%
Liquor Sales/Liter	7,353	6,995	(357)	-4.9%
Cigarette	5,893	6,456	563	9.5%
Property (State School Levy)	14,305	9,608	(4,697)	-32.8%
Estate	10,127	4,784	(5,343)	-52.8%
Real Estate Excise	40,981	41,249	267	0.7%
Timber (state share)	0	0	0	NA
Other	9,653	12,719	3,066	31.8%
Department of Licensing (2)	2,850	2,616	(234)	-8.2%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$901,059</b>	<b>\$909,144</b>	<b>\$8,085</b>	<b>0.9%</b>
<b>Cumulative Variance Since the June Forecast (June 11 - August 10, 2001)3</b>				
Department of Revenue-Total	\$1,941,461	1,925,786	(15,675)	-0.8%
Revenue Act** (3)	1,453,337	1,448,448	(4,889)	-0.3%
Non-Revenue Act(4)	488,125	477,339	(10,786)	-2.2%
Liquor Sales/Liter	14,073	14,349	276	2.0%
Cigarette	11,871	12,280	409	3.4%
Property (State School Levy)	334,731	327,661	(7,069)	-2.1%
Estate	16,804	10,726	(6,078)	-36.2%
Real Estate Excise	78,378	76,944	(1,434)	-1.8%
Timber (state share)	0	0	0	NA
Other	32,268	35,378	3,110	9.6%
Department of Licensing (4)	8,218	8,300	82	1.0%
Lottery (5)	466	466	0	0.0%
<b>Total General Fund-State***</b>	<b>\$1,950,145</b>	<b>\$1,934,552</b>	<b>(\$15,593)</b>	<b>-0.8%</b>

1 Collections July 11 - August 10, 2001. Collections primarily reflect June 2001 activity of monthly taxpayers and April-June activity of quarterly filers.

2 July 1-31, 2001 collections.

3 Cumulative collections, estimates and variance since the June 2001 forecast; (June 11- August 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the June 2001 forecast; ( June - July 2001) and revisions to history.)

5 As of July 1, 2001 lottery transfers are no longer part of the General Fund.

\* Based on the June 2001 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission (util July 2001), about 97% of total General Fund-State.

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**TABLE 2**  
**July 10, 2001 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>June 11 - July 10, 2001</b>				
Department of Revenue-Total	\$1,019,259	\$1,019,259	(\$0)	-0.0%
Revenue Act (1)	623,731	623,731	(0)	-0.0%
Non-Revenue Act(2)	395,528	395,528	0	0.0%
Liquor Sales/Liter	7,354	7,354	(0)	-0.0%
Cigarette	5,825	5,824	(1)	-0.0%
Property (State School Levy)	318,053	318,053	0	0.0%
Estate	5,942	5,942	0	0.0%
Real Estate Excise	35,696	35,696	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	22,659	22,659	(0)	-0.0%
Department of Licensing (2)	5,714	5,714	0	0.0%
Lottery (2)	466	466	0	0.0%
Total General Fund-State***	\$1,025,439	\$1,025,439	(\$0)	-0.0%

**Cumulative Receipts: June 11 - July 10, 2001 & Revisions to History**

Department of Revenue-Total	1,019,259	\$1,019,257	(\$2)	-0.0%
Revenue Act (3)	623,731	623,731	(0)	-0.0%
Non-Revenue Act(4)	395,528	395,527	(1)	-0.0%
Liquor Sales/Liter	7,354	7,354	(0)	-0.0%
Cigarette	5,824	5,824	(0)	-0.0%
Property (State School Levy)	318,053	318,053	0	0.0%
Estate	5,942	5,942	0	0.0%
Real Estate Excise	35,696	35,696	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	22,659	22,658	(1)	-0.0%
Department of Licensing (4)	5,684	5,684	0	0.0%
Lottery (4)	466	466	0	0.0%
<b>Total General Fund-State***</b>	<b>1,025,409</b>	<b>\$1,025,408</b>	<b>(\$1)</b>	<b>-0.0%</b>

P-Preliminary. Reported in the July 10, 2001 collection report.

R Revised data.

1 Collections June 11 - July 10, 2001. Collections primarily reflect May 2001 business activity of monthly taxpayers.

2 June 1-30, 2001 collections.

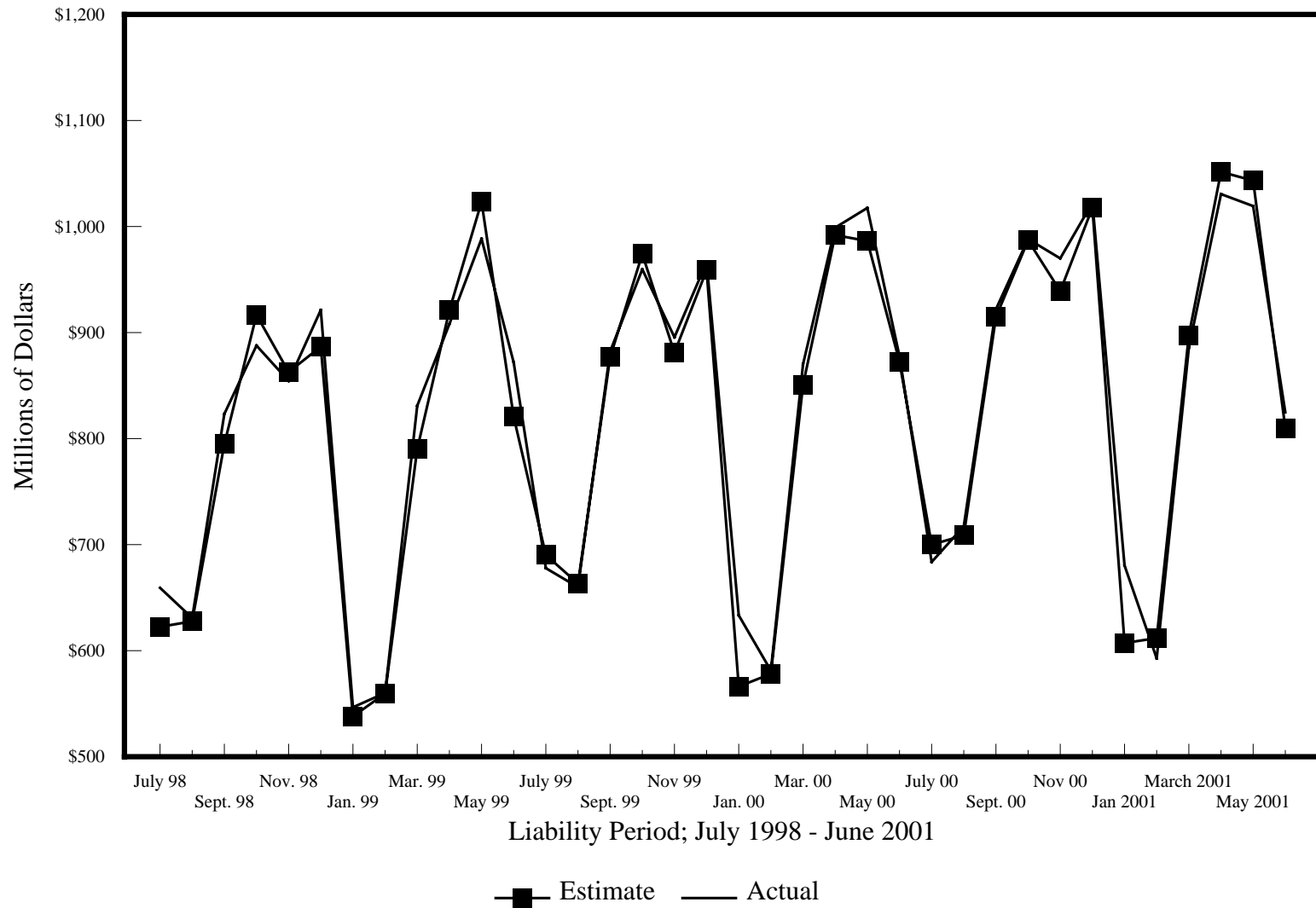
3 Cumulative variance for since the June 2001 forecast: June 11 - July 10, 2001 & revisions to history.

4 Cumulative variance: since the June 2001 forecast (June 2001 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

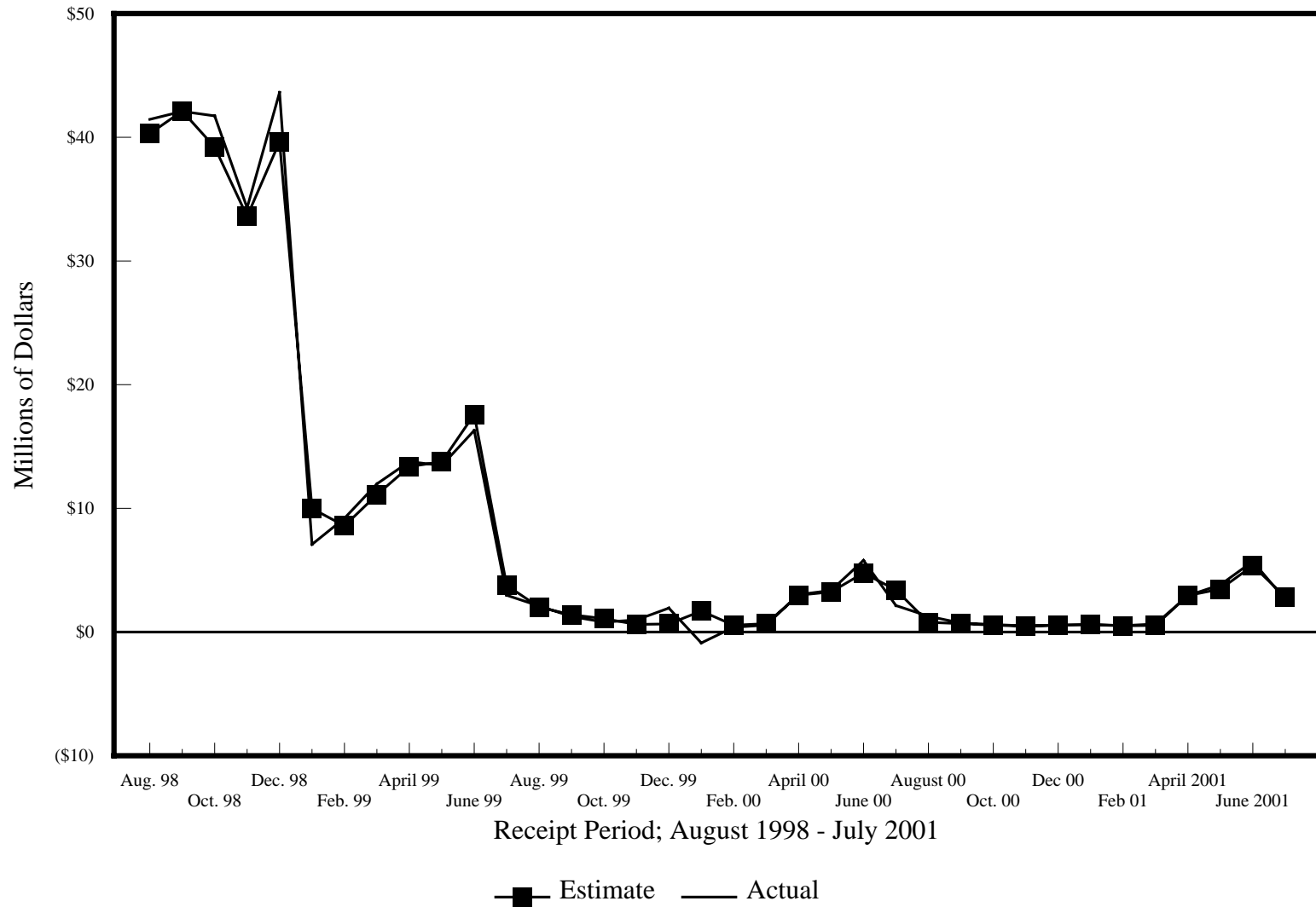
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2001



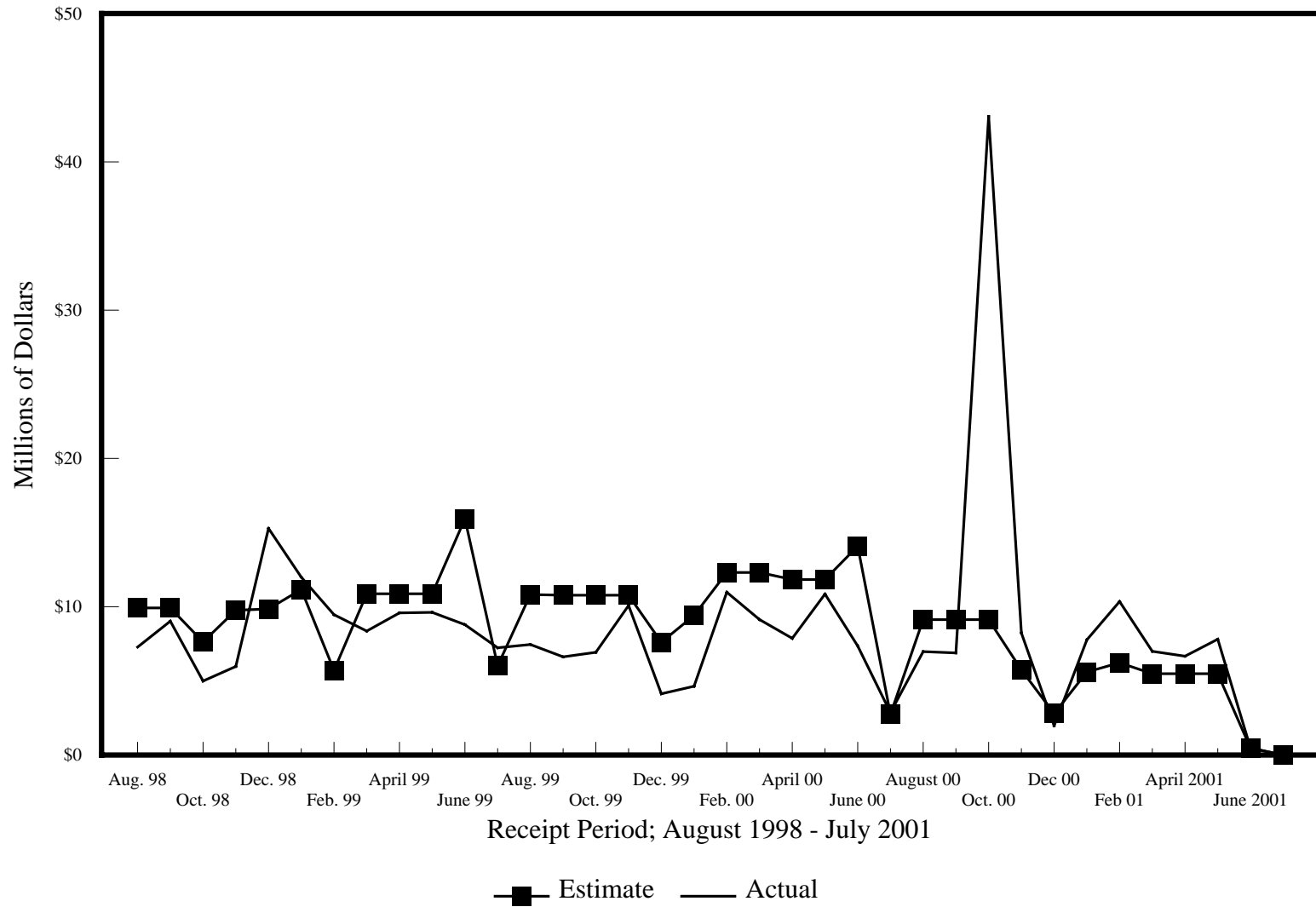
# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to July 2001



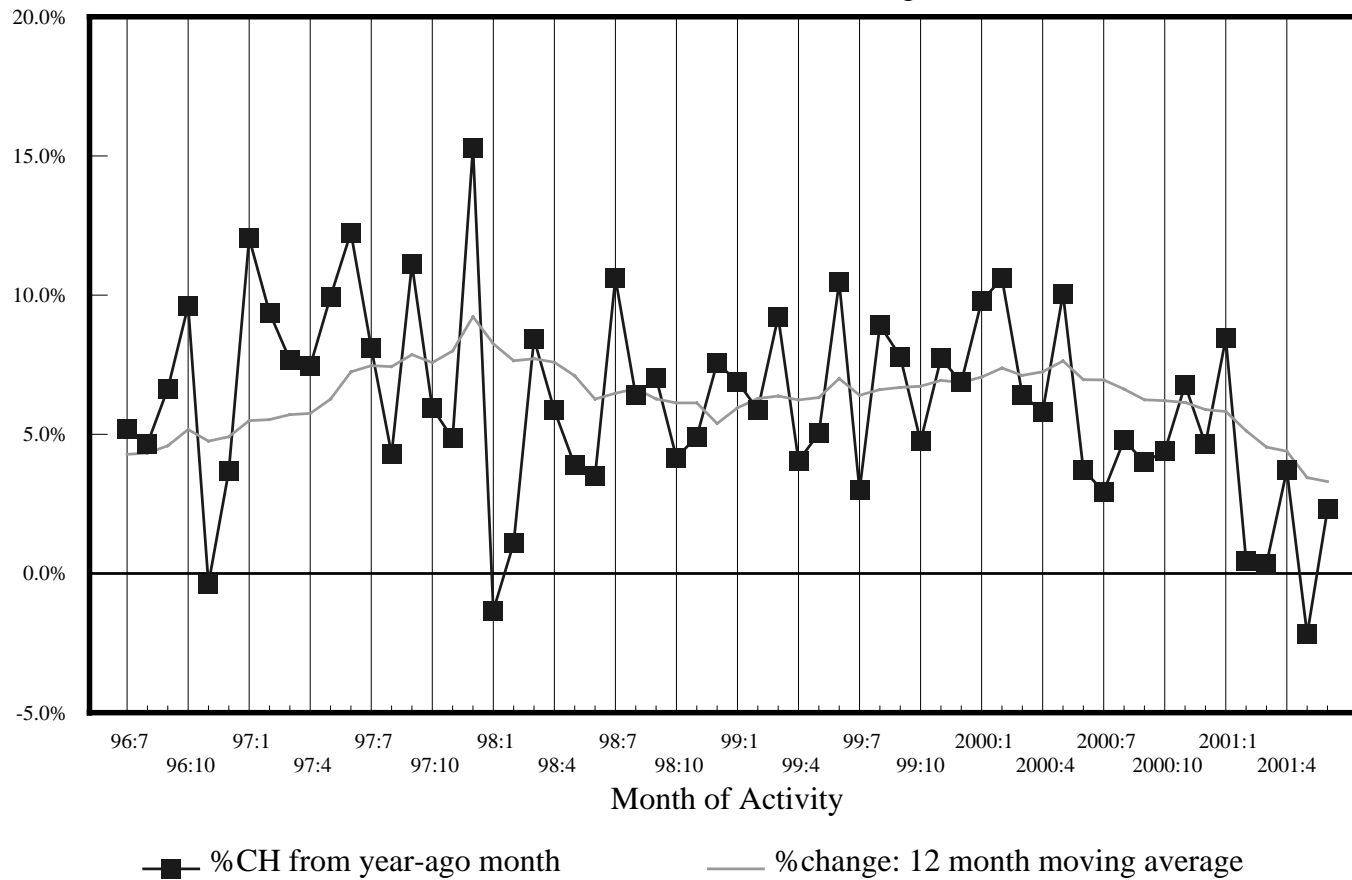
# Lottery Transfers to the General Fund, Actual vs. Estimate

August 98 to July 2001



# Revenue Act Net Collections\*

Year-over-Year Percent Change



\*Adjusted for legislation, large refunds & audits, etc.